

Message Text

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E.O. 11652: N/A

TAGS: ETRD, UK

SUBJECT: TEXTILES - MFA RENEWAL

GENEVA FOR PHELAN

1. UK EMBASSY COMMERCIAL COUNSELOR SHARP CALLED ON CHIEF
TEXTILE NEGOTIATOR STR (SMITH) MARCH 10 TO SOUND OUT USG
VIEWS ON MFA RENEWAL. IN CURIOUS PREFACE TO DISCUSSION,

SHARP EXPLAINED HIS VIEWS WERE HIS ONLY AND NOT HMG'S VIEWS.
SHARP THEN SAID THERE APPEARED TO BE THREE OPTIONS RE MFA
RENEWAL: (1) JUNK THE MFA AND INSTEAD THROW MATTER INTO
GATT ARTICLE XIX PROCEDURES WHICH QUOTE OF COURSE QUOTE
WOULD HAVE TO BE STRENGTHENED; (2) MODIFICATION OF MFA TERMS
INCLUDING POSSIBLE ADDITION OF THE EC'S LONG SOUGHT AFTER
RECESSION CLAUSE AS WELL AS WORDING TO HANDLE GLOBAL QUOTAS;
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AND (3) RENEWAL OF THE MFA AS IS. SHARP THEN ASKED

SMITH WHETHER THE USG GENERALLY AGREED WITH THAT RANGE OF OPTIONS.

2. SMITH RESPONDED BY SAYING THAT USG HAD RECENTLY DETERMINED UPON A POLICY TO SEEK THE MFA'S RENEWAL WITHOUT MODIFICATION FOR A MINIMUM OF THREE YEARS. SMITH SAID THAT SHARP'S FIRST OPTION (THROWING THE MFA INTO GATT ARTICLE 19) WAS UNREAL, AND THE SECOND OPTION WAS VERY RISKY. SMITH SAID THAT IF THE IMPORTING COUNTRIES STARTED TO OPEN UP THE MFA BY SEEKING A RECESSION CLAUSE OR SANCTION FOR GLOBAL QUOTAS, THEN THE EXPORTING COUNTRIES WERE CERTAIN TO SEEK MORE LIBERAL TERMS SUCH AS HIGHER ANNUAL GROWTH, A WEAKER ARTICLE 3, ETC. SMITH ALSO REMINDED SHARP THAT THE EC

HAD TRIED IN 1973 TO GAIN INCLUSION OF A RECESSION CLAUSE AND HAD BEEN OPPOSED BY US AND JAPAN, TO SAY NOTHING OF THE EXPORTING COUNTRIES. OUR POSITION REMAINED THE SAME; BOTH THE USG AND THE DOMESTIC US INDUSTRY ARE AGAINST A RECESSION CLAUSE IF FOR NO OTHER REASON THAN THE CERTAINTY THAT THE IMPORTING COUNTRIES WILL HAVE TO PAY FOR IT--AND WE WERE UNWILLING TO PAY FOR IT.

3. SHARP SAID CERTAIN ELEMENTS WITHIN UK TEXTILE INDUSTRY WERE NOT ALTOGETHER HAPPY OVER WORKING OF MFA AND EVEN MORE CONCERNED ABOUT BURGEONING US TEXTILE EXPORTS TO UK WHICH HE CHARACTERIZED AS QUOTE LOW COST QUOTE. SMITH REPLIED THAT WHILE MFA NOT PERFECT SOLUTION TO INTERNATIONAL TEXTILE PROBLEM, IT SEEMED TO WORK REASONABLY WELL THUS FAR AND MERITED CONTINUED SUPPORT INCLUDING RENEWAL. RE US TEXTILE EXPORTS, SMITH POINTED OUT THAT EC'S OWN TEXTILE EXPERTS HAVE PUBLICLY STATED THAT US INDUSTRY HANDLED RECESSION PROBLEMS FAR BETTER THAN EC INDUSTRY DID, ESPECIALLY IN REDUCING INVENTORIES, CUTTING BACK ON PRODUCTION, AND RELEASING WORKERS. AS A RESULT, US TEXTILE EXPORTS, ESPECIALLY MAN-MADE YARNS, HAD ENJOYED A GOOD YEAR IN THE UK LAST YEAR. HOWEVER, FAVORABLE US TEXTILE TRADE BALANCE WITH UK IS ONLY A RECENT PHENOMENON AND NOT NECESSARILY LIKELY TO CONTINUE.

4. SHARP THEN AGAIN BROUGHT UP GLOBAL QUOTAS, ASKING FOR LIMITED OFFICIAL USE

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USG VIEWS ON MATTER. SMITH REPLIED THAT GLOBAL QUOTAS, IN OUR VIEW, WERE AGAINST MFA AND ESPECIALLY ARTICLE 9, THAT ONE OF THE UNDERLYING CONCEPTS OF MFA WAS TO CONTROL IMPORT SURGES FROM PARTICULAR SOURCES AND THAT THEREFORE GLOBAL QUOTAS WERE A SHOTGUN APPROACH AS FAR AS TEXTILES WERE CONCERNED. THE MFA HAS ALREADY, WE FELT, SUFFICIENT TEETH TO HANDLE ANY PROBLEM GLOBAL QUOTAS ARE PURPORTED TO HANDLE AND THAT HENCE WE SHOULD STAY WITHIN MFA FRAMEWORK.

5. AT CONCLUSION OF HOUR LONG VISIT, SHARP INDICATED HE FELT SIMPLE EXTENSION OF MFA WAS PREFERABLE COURSE AND OPINED THAT HMG WOULD ALSO OPT FOR SIMPLE EXTENSION.

6. COMMENT. PURPOSE BEHIND SHARP'S VISIT NOT ALTOGETHER CLEAR, AND HIS INFORMAL PUSHING OF RECESSION CLAUSE AND GLOBAL QUOTAS A BIT STRANGE. BY HIS OWN ADMISSION, SHARP NOT ALTOGETHER FAMILIAR WITH GOINGS ON IN TEXTILE AFFAIRS, A FACT REINFORCED BY CONVERSATION. NONETHELESS, TALK WITH SHARP IS WELCOMED IF ONLY BECAUSE IT INDICATES HMG MAY BE BEGINNING TO THINK ABOUT MFA RENEWAL AND ROLE IT SHOULD BE PLAYING IN EC DELIBERATIONS ON MATTER. KISSINGER

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